

REPORT

**SEMI-LIQUID FUNDS:
CURRENT STATUS AND
FUTURE OUTLOOK**

FOR INVESTORS

Executive Summary

Semi-liquid funds have emerged as a fast-growing segment of the asset management landscape, offering periodic liquidity alongside access to private market strategies. Global AUM has risen from approximately \$126 billion in 2020 to \$349 billion in 2024, with forecasts projecting more than \$4 trillion by 2030. This growth reflects strong investor interest in private credit, equity, and real assets—supported by regulatory reforms, expanded distribution, and increasing demand for differentiated return sources.

While these structures introduce meaningful access benefits, they also come with complexities that warrant close attention. Fee layers are typically higher than in traditional vehicles, often exceeding 3%, and liquidity features can vary widely across products. Leverage, delayed NAV reporting, and capital call obligations may limit flexibility during market stress. That said, product innovation and evolving manager practices are beginning to address these challenges through better design, transparency, and risk management frameworks.

For long-term investors with appropriate liquidity tolerance, semi-liquid funds can offer valuable diversification and return potential. But given the wide range of structures and practices in the market today, careful product selection is essential. These vehicles should be evaluated with the same rigor applied to illiquid alternatives—particularly around fees, liquidity mechanics, and sponsor quality.

In our view, semi-liquid funds represent a promising but still maturing solution. When deployed selectively and understood clearly, they can serve as a strategic complement in portfolio construction. For most investors, a measured and disciplined approach remains the best path forward.

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Defining Semi-Liquid Funds and Structures

U.S. Fund Types: Same Goal, Different Wrappers

Semi-liquid funds lack a single legal definition, but the term generally refers to open-ended investment funds that invest in illiquid assets yet allow periodic redemptions. In the United States, these funds are typically registered with the SEC under various formats, including:

- **Non-Traded REITs and BDCs:** Public non-traded Real Estate Investment Trusts and Business Development Companies, which invest in real estate and private credit respectively but offer limited liquidity windows.
- **Interval Funds:** Continuously offered funds (often focused on credit/debt assets) that must provide redemption opportunities at set intervals (e.g. quarterly), usually up to a cap (such as 5% of NAV) each period.
- **Tender Offer Funds:** Funds that periodically offer to repurchase a portion of shares at the discretion of the fund (redemptions subject to board approval rather than a fixed schedule), enabling investments in more illiquid assets like private equity.
- **Perpetual Private Funds/ Continuation Funds:** Evergreen private equity or credit vehicles (without a fixed end date) that recycle capital and allow subscriptions /redemptions over time, as opposed to the closed-end “drawdown” fund model.

The Global Push Toward Evergreen Access

Elsewhere globally, similar structures have been introduced. In the European Union, European Long-Term Investment Funds (ELTIFs) serve as the primary semi-liquid vehicle for retail alternatives, and the UK has launched Long-Term Asset Funds (LTAFs) with comparable goals. Despite differences in form, these fund types share common features: low minimum investment thresholds, frequent subscription/redemption windows (typically monthly or quarterly), no capital call/drawdown mechanics (capital is invested up-front), and simplified tax reporting.

This design means investors get immediate exposure to a diversified private asset portfolio and can periodically adjust their holdings, while fund managers must actively manage liquidity (often by holding a sleeve of cash or liquid assets to meet redemptions).

Semi-liquid funds thus offer a compromise between full liquidity and maximized returns – giving investors some access to their money on a schedule, yet aiming for higher long-term returns than daily-liquid public funds.

Current Market Status and Growth

From Niche to Momentum: Tracking the Surge

The number of semi-liquid funds globally has nearly doubled from about 238 in 2020 to roughly 455 by 2024, while their total AUM has almost tripled from ~\$126 billion to \$349 billion over the same period. In the United States alone, these evergreen alternative funds reached approximately \$348 billion in AUM by 2024, after attracting about \$64 billion of net inflows during that year. This surge reflects how popular semi-liquid structures have become as a “bridge” into private markets for wealth management clients.

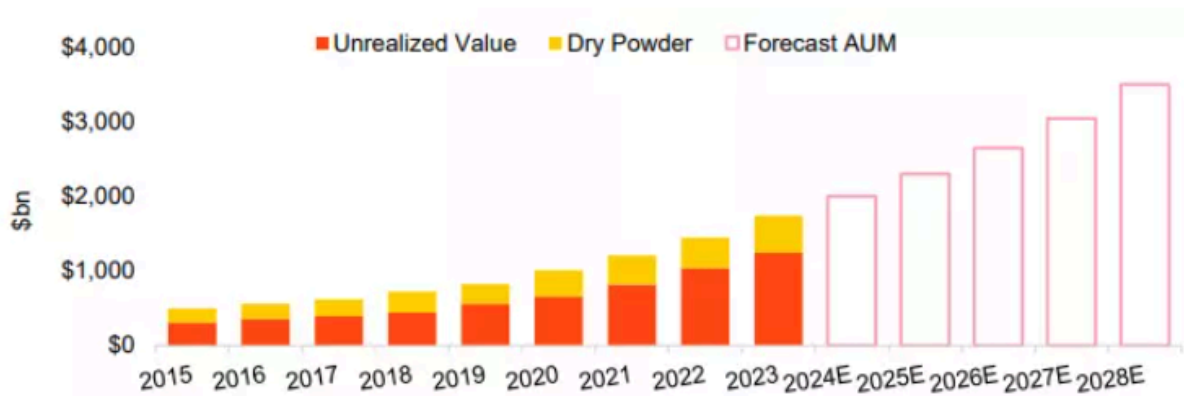
U.S. wealth investors are increasingly accessing private equity and credit through such evergreen funds (e.g. tender offer funds and non-traded BDCs). In Europe, retail demand is likewise growing via ELTIFs – the ELTIF fund market expanded by 38% in 2024 with a record number of new fund launches following regulatory reforms.

This growth in semi-liquid funds has been a bright spot in the asset management industry in recent years. High-net-worth and affluent individuals have poured capital into these vehicles, seeking higher yields and diversification from private assets. Together with secondary market transactions, inflows from private wealth investors using semi-liquid funds have helped offset some of the slowdown in traditional private fundraising since 2021.

Private Credit Dominates the Spotlight

Notably, private credit has emerged as the fastest-growing segment offered in semi-liquid format. Many new funds launched between 2020 and 2023 were focused on private debt strategies, which are well-suited for semi-liquid structures due to their steady income (interest payments) and defined loan maturities. Private debt is expected to remain a powerful growth engine for semi-liquid funds. Forecasts through 2028 show robust expansion, driven by demand for yield and credit diversification.

Private debt global assets under management (unrealized value and dry powder), and AUM forecasts⁴



Source: BlackRock (2024) Private Markets Outlook for Wealth Advisors.

For example, in the U.S. the proliferation of interval funds and non-traded BDCs has provided accredited investors regular income streams from middle-market lending, while offering quarterly liquidity. Similarly, open-ended real estate and infrastructure funds have drawn interest by combining long-term asset exposure with periodic exit windows.

The semi-liquid model is being adopted across regions: besides the U.S. and EU, parts of Asia are seeing the introduction of evergreen fund wrappers (e.g. specialized SICAV structures) to broaden investor access to private markets.

Institutions Are Warming Up

Despite their retail focus, semi-liquid funds are beginning to attract institutional attention as well.

Traditionally, institutions like pension funds invested in privates via closed-end funds or separate accounts.

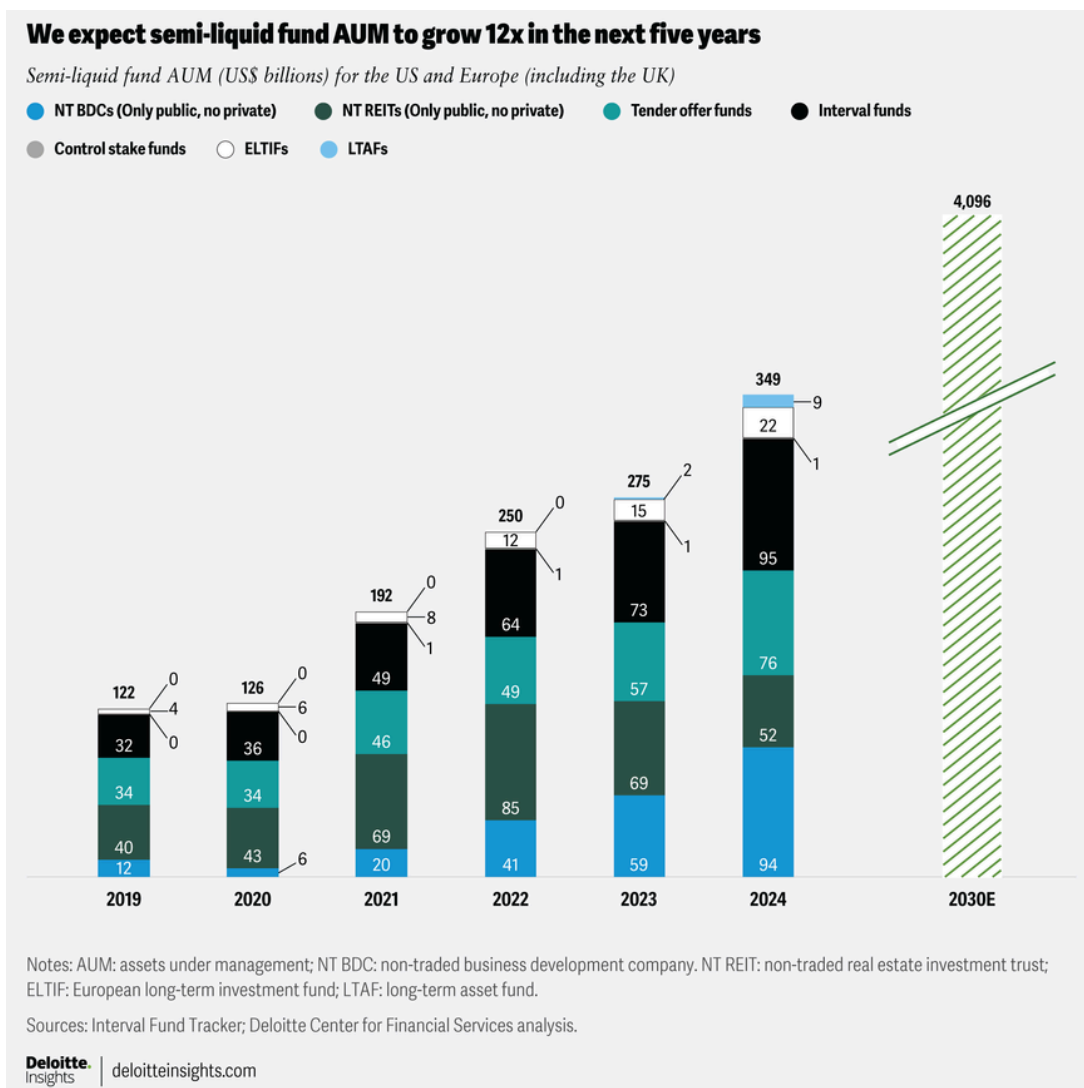
Now, some institutions are exploring evergreen funds for core allocations – for instance, open-ended core infrastructure funds have become common in the institutional space.

Overall, awareness and acceptance are increasing: large asset managers (from BlackRock to boutique alternatives firms) have been launching or considering semi-liquid offerings, and distribution platforms for wealth management are integrating these products. The current status can thus be summarized as one of rapid expansion and integration of semi-liquid funds into mainstream investment channels, especially targeting affluent retail investors in the U.S. and increasingly in Europe.

Medium-Term Trends (Next 3–5 Years)

Growth Projections

Over the medium term, industry projections suggest that semi-liquid funds will continue on a strong growth trajectory, becoming a much larger part of the investment landscape. Deloitte analysts forecast that global semi-liquid fund AUM could reach roughly \$4.1 trillion by 2030, up from only a few hundred billion today. That implies an exponential rise over the next five years, driven by several converging factors. Retail and high-net-worth investor demand is expected to remain a primary engine of growth – in fact, retail investors (including affluent individuals just below traditional “accredited” wealth levels) are estimated to contribute about 40% of that \$4+ trillion AUM by 2030. Deloitte forecasts a 12x increase in semi-liquid fund AUM by 2030, as shown below. This growth spans vehicles like interval funds, ELTIFs, and non-traded BDCs.

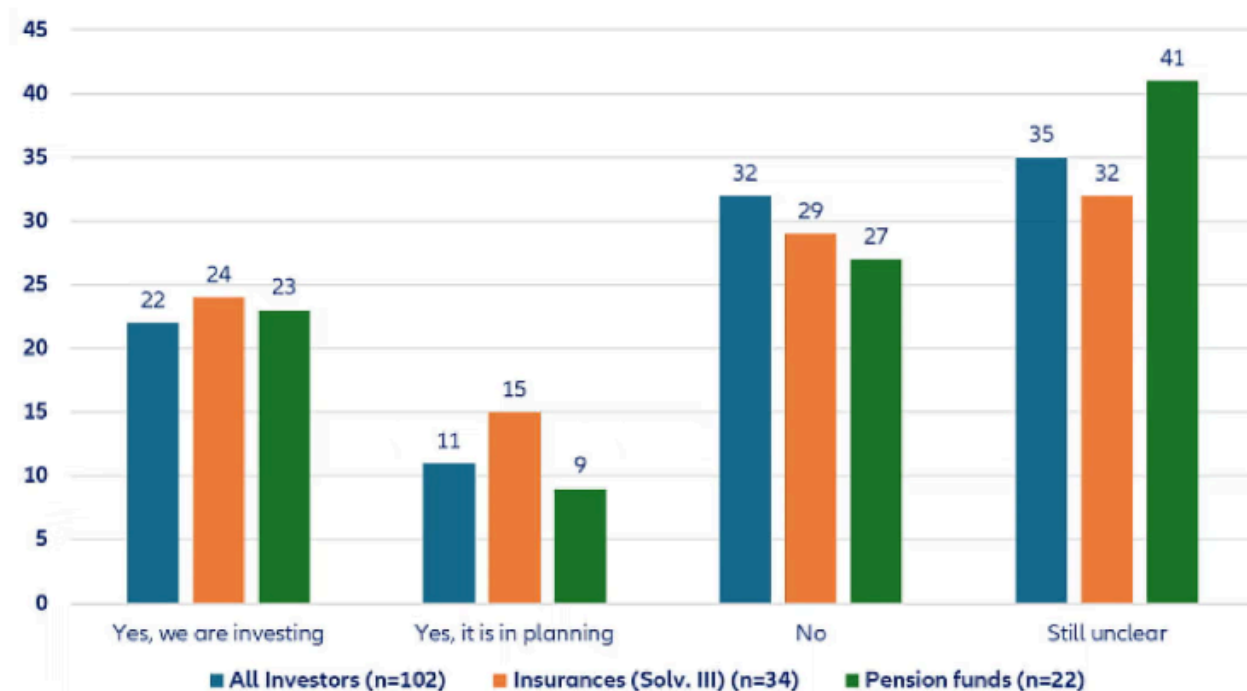


Taken from: Deloitte (2025) Semi-liquid funds: A US\$4 trillion opportunity for traditional and alternative investment managers.

Despite rising interest, many institutional investors remain hesitant or undecided. As seen in the BAI survey below, uncertainty still dominates allocation decisions

BAI Investor Survey: Are you planning medium-term private markets investments via evergreen/semi-liquid funds?

Cluster analysis: Investor analysis (in %)



Source: BAI, BAI survey of German institutional investors in late summer 2024.
Taken from: Allianz Global Investors (2024) Private market: It's not easy to be evergreen

Wealth managers increasingly view private market exposure as a standard component of client portfolios, and semi-liquid funds offer a convenient vehicle to deliver it. McKinsey estimates that by 2025 private market allocations will comprise 3–5% of U.S. wealth management assets (up from ~2% in 2020), representing hundreds of billions shifting into alternatives – much of which is flowing through semi-liquid products.

Democratizing Access Through Regulation

Regulatory and policy changes are set to significantly broaden the accessible market for semi-liquid funds in the medium term. In the U.S., the SEC has begun relaxing the definition of “accredited investor” – for example, allowing individuals with certain professional knowledge or certifications to qualify regardless of net worth. Further proposals could expand eligibility via new criteria (such as permitting investors to pass a proficiency exam to qualify). These changes will enlarge the pool of retail investors permitted to invest in private-market funds, thereby increasing potential demand.

Meanwhile in Europe, the introduction of ELTIF 2.0 at the start of 2024 removed prior constraints (like the €10,000 minimum investment and 10% portfolio cap for smaller investors), making it much easier for everyday investors to put money into ELTIF funds. The UK’s Financial Conduct Authority likewise approved the LTAF structure to allow semi-professional and retail investors access to long-term assets.

Additionally, regulators on both sides of the Atlantic are discussing opening defined-contribution retirement plans (such as 401(k) plans) to include alternative investments. If 401(k)s and other workplace retirement plans begin to incorporate semi-liquid alternative funds, it could unlock a vast new source of capital in the coming years. These regulatory tailwinds strongly support the continued expansion of semi-liquid fund offerings.

Another medium-term trend is the continued innovation in product structures and technology supporting semi-liquid funds. Fund managers are refining liquidity management tools to handle growing scale – such as setting notice periods, gate limits on redemptions, and maintaining credit lines or liquid reserves to meet withdrawals.

Tech Meets Alternatives: Tokenization on the Horizon

On the technology side, the rise of asset tokenization is expected to enhance the operations of semi-liquid funds. Tokenizing fund shares (issuing digital tokens representing ownership) can facilitate secondary trading between redemption windows and enable fractional ownership, thereby improving liquidity and accessibility without forcing funds to offer more frequent redemptions. Smart-contract platforms could also streamline administrative tasks like subscriptions, transfers, and compliance checks, reducing operational frictions.

Several asset managers and fintech firms are already piloting tokenized feeder funds or secondary marketplaces for private assets. Over the next few years, such technological integration may bolster investor confidence in semi-liquid vehicles by providing greater transparency and flexibility.

Portfolio Integration and Product Diversification

The medium-term will likely see semi-liquid funds penetrate further into the mainstream of wealth management and asset allocation. Today's high-net-worth investors have shown willingness to commit funds to these products; going forward, advisors may start including semi-liquid alternatives as a standard allocation (for example, a 5–15% sleeve of a client's portfolio for private markets).

The products themselves are expected to diversify across asset classes: beyond private credit and core real estate, we may see more infrastructure, venture, and even hybrid public-private strategies offered in evergreen formats. The fund launches of 2023–2025 already indicate this broadening supply. Morgan Stanley observes that the availability of semi-liquid funds is rising across the alternatives spectrum, and new launches have accelerated to meet investor demand in multiple sectors.

This points to a virtuous cycle: greater familiarity and track record will draw in more investors, which in turn incentivizes asset managers to roll out new semi-liquid strategies. As one large asset manager put it, "new structures will continue to rapidly evolve" as more investors (especially in wealth channels) enter the private markets arena. By 2030, semi-liquid funds are likely to be a mainstream option for medium-term investment goals, sitting alongside mutual funds and ETFs on retail investment platforms (albeit with appropriate investor qualification and education).

Long-Term Outlook (5+ Years)

From Tactical Tool to Strategic Staple

In the longer term, semi-liquid funds are poised to become an established pillar of the investment fund universe, fundamentally changing how individuals access alternative assets. The prevailing view among industry experts is that the recent surge is “only the start of a longer-term secular trend” toward the convergence of traditional and alternative investments. Clients – from mass affluent to institutional – increasingly seek unified portfolios that blend public and private markets, and semi-liquid vehicles are making this possible at scale.

If growth unfolds as expected, by the 2030s we could see trillions of dollars in capital parked in evergreen alternative funds, and a substantial portion of new money in alternatives coming through semi-liquid formats rather than closed-end funds. In fact, McKinsey identifies the democratization of alternatives as a key industry trend, noting that partnerships between traditional asset managers and alt specialists are forming to deliver private market solutions to a wider client base. This convergence will likely blur the lines between mutual fund providers and private market firms – many large asset managers are already developing in-house semi-liquid product capabilities or acquiring specialist firms to get ahead of the curve.

Infrastructure, Benchmarks, and Better Data

With maturation, competition and innovation in this space should benefit investors. More asset managers offering semi-liquid funds means a broader selection of strategies and potentially more competitive fee structures over time. As semi-liquid funds go mainstream, we can expect improvements in transparency, benchmarking, and performance reporting. For example, in Europe the growth of ELTIFs and other retail alternative funds is anticipated to bring about standardized disclosures and public performance data, which will sharpen competition and drive enhancements in product offerings.

Over the long run, as data on evergreen fund performance and behavior accumulates, investors will be better able to compare managers and demand best practices. Industry groups and regulators may develop guidelines for valuation methods, liquidity reserves, and risk management tailored to semi-liquid funds, ensuring a more robust infrastructure around these products. All of this suggests that semi-liquid funds will evolve from a novel niche into a well-integrated segment of asset management, much like how ETFs evolved from an experiment in the 1990s to a staple of portfolios today.

Guardrails Needed for a Durable Future

However, the long-term success of semi-liquid funds will depend largely on how well they navigate potential challenges at scale. One key concern is liquidity risk during market stress – since underlying assets are illiquid, a surge of redemptions could force asset sales or gate restrictions. To retain investor trust, managers must demonstrate prudent liquidity management (e.g. maintaining sufficient liquid sleeves, staggered redemption policies, and fair-value pricing).

Thus far, many semi-liquid funds have operated at relatively modest AUM levels; as the sector grows, it will inevitably face its first real tests under severe market downturns or credit crises. Historical data is limited for these structures, so their behavior under extreme conditions remains to be fully proven. Over the long term, we expect that only those managers who establish strong risk management guardrails will thrive. Building robust frameworks for frequent valuations of illiquid assets, employing gates and other tools judiciously, and setting clear investor expectations are all vital.

Fortunately, large institutions entering this space bring expertise in risk oversight, and regulators are also attentive to ensuring appropriate safeguards (for instance, requiring stress testing of fund liquidity). If these challenges are met, semi-liquid funds can deliver on their promise of long-term compounding returns with controlled liquidity, thereby solidifying investor confidence.

Risks and Limitations of Semi-Liquid Funds

While the structural growth of semi-liquid funds is undeniable, it's equally important to acknowledge the material risks and structural limitations that accompany their expanding presence in portfolios. As these vehicles become more common, understanding the trade-offs involved is critical for both investors and fiduciaries.

Fee Complexity and Cost Burden

Semi-liquid funds frequently carry significantly higher costs than traditional mutual funds or ETFs. Average total expense ratios can exceed 3%, with many vehicles layering in incentive fees, acquired fund fees, borrowing costs, and catch-up provisions. In credit-oriented funds, income-based incentive fees may be paid even when net asset values decline, due to decoupling of income and capital performance.

Some funds further charge fees on total assets—including borrowed capital—rather than net assets, which can obscure true cost and incentivize over-leverage. As the chart below illustrates, expense ratios for semi-liquid structures often far exceed those of mutual funds or ETFs—sometimes by more than 5x.

Annual Report Net Expense Ratios: Interval and Tender-Offer Funds Fees Dwarf Mutual Funds and ETFs
Semiliquid funds are significantly more expensive than your typical mutual fund or ETF



Source: Morningstar (2025) The State of Semi-Liquid Funds.

Leverage-Driven Risk

Use of fund-level leverage is widespread, especially in private credit vehicles like non-traded BDCs. While this has bolstered distribution yields in a benign environment, it also introduces significant downside risk. In a credit cycle or liquidity crunch, leverage can exacerbate losses and force NAV declines. This risk may be masked during periods of market calm due to infrequent pricing and practices like payment-in-kind interest or deferred write-downs.

Liquidity Pressures and Hidden Liabilities

The fundamental tension of semi-liquid funds lies in offering liquidity against inherently illiquid portfolios. During market stress, redemption demands may spike while managers also face capital calls from underlying drawdown funds—obligations that do not appear on balance sheets. These unfunded commitments, if called during redemption windows, can severely pressure liquidity reserves and force asset sales or borrowing.

Unproven Return Premiums

Finally, while the premise of semi-liquid funds is to deliver institutional-quality returns with periodic liquidity, many private equity and venture capital-focused vehicles have so far underperformed public benchmarks. The illiquidity premium often cited remains more aspirational than proven, particularly net of fees and leverage. As the space matures, these structural risks will require close scrutiny. Proper disclosure, disciplined underwriting, and robust liquidity management will be essential to protect investors and preserve trust in the model.

Conclusion

The rapid growth of semi-liquid funds reflects strong and sustained investor demand for greater access to private markets. By combining periodic liquidity with exposure to private credit, real estate, and secondaries, these vehicles offer a more accessible alternative to traditional closed-end structures. For many investors, they represent an important evolution in how alternative assets are delivered.

As with any innovation, the pace of adoption has outstripped standardization. Fee structures remain complex, and liquidity features vary across vehicles. However, industry practices are evolving. Many sponsors are actively improving transparency, risk controls, and alignment mechanisms. Continued regulatory guidance and product refinement are likely to strengthen investor protections over time.

Semi-liquid funds can play a valuable role in long-term asset allocation—particularly for investors seeking return diversification and who can tolerate periodic liquidity. As the space matures, greater clarity around fees, valuation, and risk management will enhance investor confidence and allow for more consistent integration into portfolio models.

In our view, these products are not inherently problematic—but they require careful due diligence and a clear understanding of trade-offs. With selective implementation and attention to structure, sponsor quality, and investor fit, semi-liquid funds can serve as a strategic complement to traditional portfolios.

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